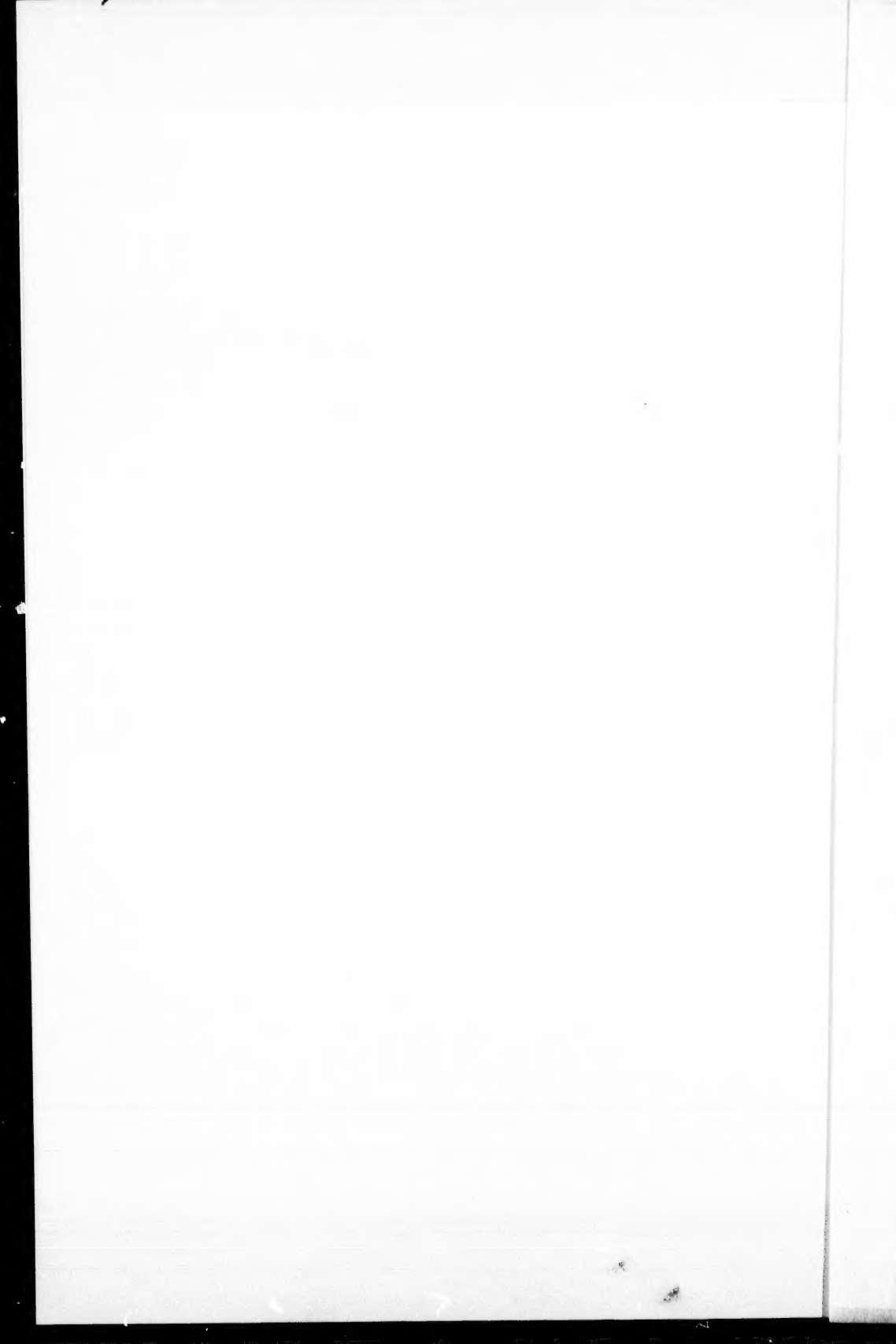




29 Dec., 1883.

CIRCULAR.

To the Shareholders of the Canadian Pacific Railway Company:

GENTLEMEN,

It is now a little less than a year since a portion of the Capital Stock of this Company was thrown open for public subscription. During that period there has been a very great decline in the market values of American Railway Securities in general, and especially of shares in corporations operating through lines of railway between the Eastern States and the Pacific coast. It is not a matter for surprise, therefore, that some anxiety should have been felt by holders of the Stock of this Company, or that speculators should have taken advantage of the opportunity, to make a concerted effort to depress the market price of the shares, especially in view of the malignant attacks with which the Company has been almost daily assailed, by a section of the local and foreign press, inspired by rival railway lines, or influenced by political motives. The shareholders are rather to be congratulated that in the face of these attacks and of such widespread depression in the stocks of other transcontinental lines, the Stock of this Company, with its line not yet completed, should have maintained such comparative steadiness.

For the purpose of giving to the shareholders the earliest possible information of the results achieved during the now closing calendar year, and in view of the gross misstatements that have been published as to the position of the Company, the Directors have thought it well, in advance of the regular annual report, to submit a short summary of what has been done, and also a brief statement of facts affecting the intrinsic and market values of the shares of the Company.

It is necessary at the outset not to forget that the position of the Canadian Pacific Railway is unique,—with its own line stretching from the Atlantic to the Pacific—a complete and independent Railway system within itself. Differing in this respect from every other Transcontinental line on the continent, it need look for nothing from its rivals, beyond reasonably fair treatment.

During the year 1883 the Company built 693 miles of Railway; consisting of 553 miles of main line, and 140 miles of Branch lines.

On the Western Division 377 miles of rails have been laid—completing the track to the Summit of the Rocky mountain pass, 960 miles west of Winnipeg—leaving a gap of less than 300 miles to complete the connection with the Pacific Ocean, and there is every reason to expect that this connection will be completed within the next two years.

On the opening of navigation next season, the Company will have its own steel steamships, built this year on the Clyde expressly for the Lake traffic, ready to run between Lake Huron, and Thunder Bay on Lake Superior. A new through line of its own will thus be opened, carrying freight and passengers from Montreal to all points in the newly opened country for a continuous distance of 1,400 miles west of Port Arthur.

On the section of the line north of Lake Superior 167 miles of track have been laid during this year, and within the next few weeks 54 miles more will be added, making a total on that section of 221 miles, leaving 430 miles yet to be built in order to complete the through all rail connection between Montreal and the North West Provinces. There are at the present time over 9,000 men

at work upon this section, which, it is fully expected, will be completed and ready for operation before the close of the year 1885.

Without the through all rail line which the completion of this section will provide, and without the necessary connections with the Provinces of Ontario and Quebec, now being secured, the Canadian Pacific Railway would have little or no control over the large west bound traffic in Immigrants, settlers and general freight, which the settlement of the Northwest is rapidly developing; and that traffic would continue in the future, as in the past, to be carried over the Grand Trunk Railway, and through the United States. This west bound traffic is of the greatest importance to the Canadian Pacific Railway, enabling it to carry freight and passengers at lower rates than would be possible, if the line had only an east bound business, and nothing to carry west but empty cars.

When the Company is in a position to send trains through, direct from Montreal *via* Winnipeg to the Pacific Ocean; its express trains making the entire distance in ninety hours; and when the connections of the line with the business centres of the Provinces of Ontario and Quebec have been established; the Canadian Pacific Railway will assume a commanding position as Canada's national highway, and by better service, a shorter line, superior accommodation, and moderate rates, will secure the traffic which naturally belongs to it, and effectually prevent it from seeking transportation over foreign lines.

The surveys of the gap between the completed portions of the Eastern and the Western Divisions have been completed, as well as the surveys across the Rocky and Selkirk mountains. The work has in both cases been found much easier than was anticipated and the Directors feel now that they may safely state that the entire line will be completed within the original estimates of cost.

It has been ascertained that the cost of finishing the line will not exceed twenty-seven million dollars—barely the amount of the cash subsidy and land grant Bonds unsold, and remaining in the hands of the Government.

The gross earnings for 1883 (estimating the month of December) were..... \$5,420,913

This includes for the transportation of construction materials and supplies..... 1,274,000

The actual revenue from ordinary traffic was therefore in 1883. 4,146,913

As against in 1882..... 2,449,824

Increase in 1883..... 1,697,089

The net earnings for the 9 months ending Nov. 30th have been \$889,811

Considering the adverse circumstances under which this result has been obtained, and in view of the extraordinary development and rapid settlement of the North-West during the past year, and of the fact that on the opening of navigation, the Company will have—as already stated,—a through line of its own from Montreal to the summit of the Rocky Mountains; a still greater increase in the earnings of the coming year may fairly be looked for.

Seeing the effect which the operations of speculators, aided by the hostile efforts of the enemies of the Company in the press and elsewhere, had on the market price of the shares; being unwilling that the shareholders should be intimidated into sacrificing their property; and desiring to increase the value of the stock as a sound investment; the Directors early in November last made an arrangement with the Dominion Government to ensure for ten years, a minimum dividend

of three per centum (3 p. c.) per annum upon the outstanding capital stock of the Company: the Company continuing to pay an additional two per centum (2 p. c.) per annum, during construction, making five per cent (5 p. c.) per annum in all.

This arrangement has also been made the object of attack even to the extent of pretending to impugn the ability of the Government to carry it out, but it will probably suffice to say, that it consists of the deposit with the Government of cash and securities to an amount sufficient to provide the money with which to pay each half-yearly dividend; that the Government has absolutely assumed such payments, and has bound itself to place the required amount each half year in the bank of Montreal as Trustee for the shareholders, and that the Bank has covenanted to pay the dividend so deposited on the 17th day of February and August in each year of the next ten years.

Fuller details of the operations of the Company during the past year, of its position generally, its resources and its prospects, will be furnished to the shareholders, as soon as the report embodying the same can be prepared.

In conclusion it may safely be stated:—

1. That the work of construction has been economical, and rapid beyond all previous experience.
2. That the contract with the Government will be finished, and an all rail route through Canadian territory, from Montreal to the Pacific Ocean, established within two years, or in barely half the time specified in the contract.
3. That the business of the line is already much greater than could fairly have been expected, before the completion of the road.
4. That the settlement of the North-West, notwithstanding all the efforts to depreciate its advantages, is progressing more rapidly than any one, three years ago, supposed possible.
5. That the cost of the completed road will not exceed previous estimates.
6. That the road, when finished, will be practically unencumbered.
7. That the net earnings, from and after the completion of the line, will, it is firmly believed, be sufficient to give the shareholders a handsome dividend over and above the three per cent already provided, without counting on the income from the Company's Land Grant: thus making the shares of the Company a sound and profitable investment.

The Directors are satisfied that, with such resources and prospects as are here set forth, the Company has a great and successful future before it; and they hope that the statements, which the facts have thus enabled them to make, will be accepted by the shareholders, as a sufficient answer to the misrepresentations, by which it has been sought to induce them to sacrifice their investment.

GEORGE STEPHEN,

President.

MONTREAL, 29th December, 1883.